

for the demands of business, without the help of government paper money, and flexibly responsive to those demands.

The foundation of a national currency upon evidences of public debt is dangerous and unscientific and proved fatal to some of the State currencies before the Civil War. A comparison of the State systems shows a distinct line of cleavage which is far from favorable to the principles of the present national banking law. This line of cleavage separates the banks issuing currency against general assets, like those of New England, Indiana, and Louisiana, from those issuing circulation, on the other hand, against securities, like the banks of New York, Illinois, and Wisconsin, and those established under the parental care of the State, like the Bank of the Commonwealth of Kentucky, the Union Bank of Florida, the State Bank of Alabama, and the Bank of Mississippi. The experience of the New England and Indiana banks is the triumphant vindication of the principle of banking on general assets and issuing notes redeemable in coin on demand, which is supported by the critics of the present national system and the advocates of a banking currency. The banks issuing circulation on securities, with their pitiable failures and their wildcat banking, were the prototypes of the national system and afford a hint of what that system would become if note issues based upon State and municipal securities were substituted, as is sometimes proposed, for note issues based upon national bonds. It must be remembered, moreover, that perfect as the security seems for bank-notes under the national system, it is a security which has followed the ups and downs of government paper money. There was neither purpose nor pretence of maintaining the notes of national banks at parity with coin while the notes of the government itself and the bonds by which bank-notes were secured were depreciated. Banknotes remained from 1864 to 1879 at par with government obligations because those obligations themselves were far below par in coin.

If the banks issuing circulation upon securities were the model for the national banks of to-day, the banks of State